

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 IO-10 H-02 NSC-05 CIAE-00 PM-03 INR-07

L-02 NSAE-00 PA-02 RSC-01 PRS-01 SP-02 USIA-15

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E.O. 11652: NA

TAGS: AFIN AORG NATO OECD

TAGS: COORDINATED ORGANIZATIONS PENSION SCHEME- TAX ARRANGEMENTS

REF:A. CCG(74)16, NOV 7, 1974(ATTACHED TO PO/74/163)

B. STATE 242103

C. OECD PARIS 24456

SUMMARY : MISSION REQUESTS INSTRUCTIONS FOR NAC MEETING DEC 18
TO CONSIDER THE EXTENT TO WHICH THE PROPOSED PENSION
SCHEME BENEFITS SHOULD BE ADJUSTED IN VIEW OF TAX CONSIDERATIONS.
END SUMMARY.

1. THE SECRETARY GENERAL HAS FORWARDED THE 109TH REPORT
(REF A) OF THE COORDINATING COMMITTEE (CCG) TO THE COUNCIL,
NOTING THAT THE CCG STATES IT WAS UNABLE TO REACH AGREEMENT
ON THE TAX ARRANGMENTS TO BE APPLIED TO THE PROPOSED PENSION
SCHEME.
2. THE REPORT STATES THAT THE CCG REJECTED THE REQUEST
OF THE SECRETARIES GENERAL FOR EITHER TAX EXEMPTION OR THE
INTRODUCTION OF AN INTERNAL TAX SYSTEM (WHICH WOULD BE TANTAMOUNT
TO TAX EXEMPTION) AND FELT THAT PENSIONS SHOULD BE SUBJECT
TO NATIONAL TAXATION. A MAJORITY OF THE CCG MEMBERS, NOTING
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THAT SALARIES ON WHICH PENSIONS ARE BASED ARE NOT TAXED, AND
CONCERNED THAT PENSIONS AFTER TAXATION SHOULD BE "AWQUETE",
CONCLUDED THAT THE PROPOSED PENSIONS SHOULD BE INCREASED, OR
"GROSSED UP", BY AN AMOUNT REPRESENTING APPROXIMATELY 50PCT

OF THE TAX ON THE PENSION. A MINORITY OF THE CCG MEMBERS SAW
"NO REASON" FOR COMPENSATION.

3. WITH THE CCG REPORT THE SYG HAS PRESENTED A STATEMENT OF THE
UNANIMOUS POSITION OF THE SECRETARIES GENERAL OF THE COORDINATED
ORGANIZATIONS WHICH CONSIDERS EVEN THE 50PCT SUPPORTED BY
THE MAJORITY TO BE "QUITE INSUFFICIENT". THE SYG, REPEATING
ARGUMENTS PRESENTED PREVIOUSLY BY THE CCG, ASKS THE COUNCIL
EITHER TO APPROVE A "CONSIDERABLE" INCREASE IN THE CONTEMPLATED
GROSSING-UP PERCENTAGE, OR TO PROVIDE THE SAME RESULT THROUGH
ADJUSTING THE BASE OF THE PENSION ITSELF, I.E. BY BASING
PENSION ON A FICTITIOUS (HIGHER) "GROSS" SALARY SCALE OR BY
INCREASING YEARLY ACCRUAL RATE OF PENSION RIGHTS ABOVE THE
COMTEMPLATED 2PCT.

4. MISSION NOTES THAT US POSITION IN CCG SUPPORTED THE
MAJORITY (REF B AND C). MISSION RECOMMENDS WE TAKE SAME
POSITION IN NAC AND REQUESTS GUIDANCE BEFORE MEETING
DECEMBER 18. BRUCE

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<< END OF DOCUMENT >>

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